

Passengers

Holly, Chip, Timmy, Lacey

Holly, Chip, Timmy, Lacey

Holly, Anne

Holly, Anne

Holly, Chip, Timmy, Lacey

Holly

Chip, Timmy, Lacey

Holly

Holly, Chip

Holly, Chip

Holly, Anne, Alice

Holly, Anne, Alice

Hunter, Alice

Hunter, Alice

Holly, Chip, Timmy, Lacey

Holly, Chip, Timmy, Lacey

BUSINESS AIRCRAFT INITIAL Information Document Request

Instructions to the Examination Team (the team):

These are proforma Information Document Requests (“IDRs”) prepared to assist with an aircraft examination. Please note the following:

- Not all the suggested questions in the proforma IDRs may be applicable for each case.
- The team may need to eliminate, add, or modify some of the suggested questions.

The following is instruction only, not to be included in the IDR sent to the taxpayer.

General comments

In an audit of a business aircraft, requesting the flight logs is a critical first step. Each aircraft should have a flight log and a maintenance log book. These logs will provide you with the basic flight information - date, origin and destination city, flights miles or hours and pilot.

To make a determination on the Qualified Business Use of an aircraft you need to know the destination and purpose of each flight. You will also need this information to determine the deductibility of these expenses.

Most taxpayers will have an electronic version of their flight log in Excel or Adobe. Securing a copy of the taxpayer’s electronic spreadsheet will save you time in preparing a spreadsheet for your calculations. If the taxpayer does provide an electronic spreadsheet, you should still request the actual flight log from the aircraft to verify that the information is correct.

A passenger manifest is a list of passengers on board each leg of the flight. The passenger manifest should be requested. To make a determination of business use, you need to know where the aircraft was flown and who was on board. Taxpayers may not be required under FAA rules to keep a passenger manifest, but under IRC § 274(d) the taxpayer is required to keep such information to substantiate the business use.

Business Aircraft Initial Information Document Request

Issue: To obtain basic information regarding the aircraft reported on the tax return.

Provide the following information related to the aircraft:

1. Flight Log -provide hard copy and electronic version (if available)
 - Flight Date
 - Origin City (include all origin cities for multi-leg flights)
 - Destination City (include all destination cities for multi-leg flights)
 - Flight Time (Hobbs Meter Reading)
 - Pilot in Command (PIC)
 - Co-Pilot (SIC)
2. Aircraft maintenance flight log
3. Passenger manifest for each flight leg
4. Provide a list of all specified individuals as defined in Treasury Regulation § 1.274-9
5. Relationship of passengers to any 5% owner and "specified individuals"
6. Tail number of the aircraft; aircraft registration number; manufacturer's serial number; type and model of the aircraft; and number of passenger seats on the aircraft
7. Aircraft purchase/sales documents
8. Aircraft lease/charter/operating agreements
9. Aircraft management contracts
10. Minutes/documents indicating the business purpose of the aircraft
11. Company policy on the aircraft usage
12. Provide 280F qualified business use calculation
13. Provide copies of the calculations for any expense limitation or disallowance related to the aircraft
14. Provide copies of any fringe benefit computations relating to personal use of the aircraft
15. Were any reimbursements made to the taxpayer for personal use of the aircraft? If yes, provide amounts and trips they were associated with.

After you reviewed the flight logs and noticed personal trips and the fact that the taxpayer did not include any fringe benefit income for the use of the aircraft you put in an inquiry to the Transportation Industry requesting the Fair Charter Value of a G650.

Per the Air Charter Guide for 2021 the Fair Charter Value for a G650 is \$ 10,000 per hour.

Qualified Business Use Cal Occupied Seat Hours or Mil

To Pass QBU a taxpayer must pass:

1. The 25% QBU Test AND
2. The 50% QBU Test

This example shows Occupied Seat Hours Method. Change Column D to miles to do Occupied Seat

Date	Departure City	Arrival City	Miles or Hours	Total PAX	Occupied Seat Hours (D*E)	Business Flight	Leased to 5% owner or related	
	DTW	ORD		6	4	24.0	24.0	
	FNT	LAN		4	4	16.0		
	ORD	DTW		3	3	9.0		
				25	1	25.0		
						-		
						-		
						-		
TOTALS				38		74.0	24.0	
Allocate Maintenance flights over all categories ratably							12.2	-
TOTAL Occupied Seat Hours							<u>36.2</u>	<u>-</u>

Step 1

25% Test:	Business Flights	36.2	
	Divided by Total Occupied Seat Hours	<u>74.0</u>	
		<u>49%</u>	If Less than 25% STOF
50% Test:	Business Flights	36.2	
	Leased to 5% Owner or Related	-	
	Treated as Income to 5% Owner or Related	24.2	
	Income Non 5% Owner or Related	-	
	Total	<u>60.4</u>	
	Divided by Total Occupied Seat Hours	<u>74.0</u>	
		<u>82%</u>	If Less than 50% STOF

**culat
es Method**

: Miles Method.

Treated as Income to 5% Owner/Related	Use by Non 5% Owner or related that is not reported in Income	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment
16.0			9.0	
16.0	-		9.0	-
8.2	-		4.6	-
24.2	-		13.6	-

› here, the taxpayer failed QBU. If 25% or greater move on to Step 2

› here, the taxpayer failed QBU. If great than 50% taxpayer passed QBU

Unsubstantiated	Maintenance/ Training Flights	Verify Total Hrs = Col. F	Explanation of flight
		24	
		16	
		9	
	25.0	25	
		0	
		0	
		0	
		0	
-	25.0	74	
-	(25.0)	-	
-		74.0	

74

**** Make sure F23, Q23 and Q25 totals agree**

Passengers

Qualified Business Use Cal Occupied Seat Hours or Mil

To Pass QBU a taxpayer must pass:

- 1. The 25% QBU Test AND
- 2. The 50% QBU Test

This example shows Occupied Seat Hours Method. Change Column D to miles to do Occupied Seat

Date	Departure City	Arrival City	Miles or Hours	Total PAX	Occupied Seat Hours (D*E)	Business Flight	Leased to 5% owner or related
					-		
					-		
					-		
					-		
					-		
					-		
					-		
TOTALS				0	-	-	-
Allocate Maintenance flights over all categories ratably						<u>#DIV/0!</u>	<u>#DIV/0!</u>
TOTAL Occupied Seat Hours						<u>#DIV/0!</u>	<u>#DIV/0!</u>

Step 1

25% Test:	Business Flights	#DIV/0!	
	Divided by Total Occupied Seat Hours	-	
		<u>#DIV/0!</u>	If Less than 25% STOF
50% Test:	Business Flights	#DIV/0!	
	Leased to 5% Owner or Related	#DIV/0!	
	Treated as Income to 5% Owner or Related	#DIV/0!	
	Income Non 5% Owner or Related	#DIV/0!	
	Total	<u>#DIV/0!</u>	
	Divided by Total Occupied Seat Hours	-	
		<u>#DIV/0!</u>	If Less than 50% STOF

**culat
es Method**

: Miles Method.

Treated as Income to 5% Owner/Related	Use by Non 5% Owner or related that is not reported in Income	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment
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#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

› here, the taxpayer failed QBU. If 25% or greater move on to Step 2

› here, the taxpayer failed QBU. If great than 50% taxpayer passed QBU

Unsubstantiated	Maintenance/ Training Flights	Verify Total Hrs = Col. F	Explanation of flight
		0	
		0	
		0	
		0	
		0	
		0	
		0	
		0	
-	-	0	0
#DIV/0!	-	#DIV/0!	
#DIV/0!		#DIV/0!	

** Make sure F23, Q23 and Q25 totals agree

Passengers

Qualified Business Use Cal Flight by Flight Hours or Mi

To Pass QBU a taxpayer must pass:

1. The 25% QBU Test AND
2. The 50% QBU Test

This example shows Flight by Flight Hours Method. Change Column D to miles to do Flight by Flight

Date	Departure City	Arrival City	Miles or Hours	Total PAX	Flight allocation per PAX (D/E)	Business Flight	Leased to 5% owner or related	
	DTW	ORD		6	4	1.5	6.0	
	FNT	LAN		4	4	1		
	ORD	DTW		3	3	1		
				25	1	25		
						0		
						0		
						0		
TOTALS				38		28.5	6.0	
Allocate Maintenance flights over all categories ratably							11.5	-
TOTAL Flight by Flight Hour							<u>17.5</u>	<u>-</u>

Step 1

25% Test:	Business Flights	17.5	
	Divided by Flight Hours	38.0	
		<u>62%</u>	If Less than 25% STOP
50% Test:	Business Flights	17.5	
	Leased to 5% Owner or Related	-	
	Treated as Income to 5% Owner or Related	11.7	
	Income Non 5% Owner or Related	-	
	Total	<u>29.2</u>	
	Divided by Flight Hours	38.0	
		<u>77%</u>	If Less than 50% STOP

**culation
les Method**

Miles Method.

Treated as Income to 5% Owner/Related	Use by Non 5% Owner or related that is not reported in Income	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment	
4.0			3.0		
4.0	-		3.0	-	-
7.7	-		5.8	-	-
11.7	-		8.8	-	-

³ here, the taxpayer failed QBU. If 25% or greater move on to Step 2

³ here, the taxpayer failed QBU. If great than 50% taxpayer passed QBU

Unsubstantiated	Maintenance/ Training Flights	Verify Total Hrs = Col. F	Explanation of flight
		6.0	
		4.0	
		3.0	
	25.0	25.0	
		-	
		-	
		-	
		-	
-	25.0	38.0	
-	(25.0)	-	
-		38.0	

** Make sure D23, Q23 and Q25 totals agree

Passengers

Qualified Business Use Cal Flight by Flight Hours or Mi

To Pass QBU a taxpayer must pass:

1. The 25% QBU Test AND
2. The 50% QBU Test

This example shows Flight by Flight Hours Method. Change Column D to miles to do Flight by Flight

Date	Departure City	Arrival City	Miles or Hours	Total PAX	Flight allocation per PAX (D/E)	Business Flight	Leased to 5% owner or related
					#DIV/0!		
					#DIV/0!		
					#DIV/0!		
					#DIV/0!		
					#DIV/0!		
					#DIV/0!		
TOTALS				0	#DIV/0!	-	-
Allocate Maintenance flights over all categories ratably						#DIV/0!	#DIV/0!
TOTAL Flight by Flight Hour						<u>#DIV/0!</u>	<u>#DIV/0!</u>
Step 1							
25% Test:	Business Flights				#DIV/0!		
	Divided by Flight Hours				-		
					<u>#DIV/0!</u>		If Less than 25% STOF
50% Test:	Business Flights				#DIV/0!		
	Leased to 5% Owner or Related				#DIV/0!		
	Treated as Income to 5% Owner or Related				#DIV/0!		
	Income Non 5% Owner or Related				#DIV/0!		
	Total				<u>#DIV/0!</u>		
	Divided by Flight Hours				-		
					<u>#DIV/0!</u>		If Less than 50% STOF

**culation
les Method**

Miles Method.

Treated as Income to 5% Owner/Related	Use by Non 5% Owner or related that is not reported in Income	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment
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-	-	-	-	-
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

› here, the taxpayer failed QBU. If 25% or greater move on to Step 2

› here, the taxpayer failed QBU. If great than 50% taxpayer passed QBU